

Meeting Date: 09/30/08

AGENDA REPORT

City of Santa Clara, California

Agenda Item # 7A-14



Santa Clara



2001

Date: September 23, 2008

To: City Manager for Council Action

From: Chief of Police

Subject: Adoption of a Resolution Authorizing Adjustment of Taxicab Rates and Fares and Adding a Fuel Surcharge per Santa Clara Municipal Code Section 5.35.150(c)

EXECUTIVE SUMMARY:

The Police Department was recently contacted by Yellow Cab Company requesting a taximeter rate increase and fuel surcharge on behalf of all cab operators within the City of Santa Clara. The taxicab industry operating within the City of Santa Clara has not received such a rate increase since 2003. The Transportation Consumer Price Index (CPI) has increased by over 20% since that time. This, coupled with the rising and fluctuating cost of fuel, has placed a significant burden on cab operators.

Santa Clara Municipal Code Section 5.35.150(c) states, "*Rates and fares for the use of taxicabs licensed under this chapter shall be adopted by the City Council by resolution after a public hearing. The City Council may, upon its own motion, or upon application of a holder of the taxicab license, adjust such rates and fares to reflect the prevailing rates and fares charged by taxicab businesses in the neighboring cities. (Ord. 1713 § 2, 5-5-98. Formerly § 28-15).*"

Requested fare increases are as follows:

Flag Drop	from: \$2.50 – 1 st tenth mile	to: \$3.50 – 1 st tenth mile
Each Additional Mile	from: \$2.50	to: \$3.00
Wait Time Per Hour	from: \$25.00	to: \$30.00

On August 5, 2008, the San Jose Department of Transportation and San Jose City Council approved the rate increases shown above. Sunnyvale, Mountain View, and Palo Alto increased their rates in 2006 to \$3.00 for Flag Drop, \$3.00 for each additional mile, and \$35.00 per hour wait time. The cities of Milpitas, Cupertino, Saratoga, Los Gatos, Campbell and Monte Sereno do not regulate cab fares and thus cab companies are not required to go to City Council to request a fare increase. As a result, affected cab companies have and will continue to charge San Jose rates in those cities.

The requested gasoline surcharge would occur when average gasoline prices in the Santa Clara area reach \$4.50 to \$6.00 per gallon. At that point a gasoline surcharge would be implemented in .50¢ increments to a maximum of \$2.00, i.e., \$4.50 to \$4.99 a gallon would justify a .50¢ surcharge; \$5.00 to \$5.49 a gallon would permit a \$1.00 surcharge. The recommended source for determining the average price of gasoline is www.fuelguagereport.com. The site is accessible to customers and would be checked monthly to determine if a surcharge is applicable for that month. As gas prices fall below the \$4.50 benchmark, the surcharge would not be applied.

City Manager for Council Action
Request Council Adjust Taxicab Rates and Fares and Approve Fuel Surcharge
per Santa Clara Municipal Code Section 5.35.150(c)
September 23, 2008
Page 2

ADVANTAGES AND DISADVANTAGES OF ISSUE:

This will allow taxicab businesses in our community to ease the burden associated with the current economic downturn.

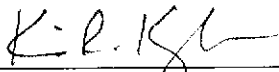
ECONOMIC/FISCAL IMPACT:

There is no economic/fiscal impact to the City of Santa Clara.

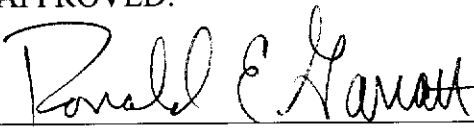
RECOMMENDATION:

That the Council:

1. Adopt a Resolution to authorize an adjustment to taxicab rates and fares, and
2. Add a fuel surcharge per Santa Clara Municipal Code Section 5.35.150(c).


for Stephen D. Lodge
Chief of Police

APPROVED:


for Jennifer Sparacino
City Manager

Documents Related to this Report:

1. Resolution
2. City of San Jose Memorandum Entitled, "Taxicab Rate of Fare Adjustment," dated July 14, 2008.

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY OF SANTA CLARA,
CALIFORNIA, ADJUSTING THE RATES FOR THE
OPERATION OF TAXICABS, AND ADDING A FUEL
SURCHARGE, PURSUANT TO SANTA CLARA CITY
CODE SECTION 5.35.150(C)**

BE IT RESOLVED BY THE CITY OF SANTA CLARA, CALIFORNIA, AS FOLLOWS:

WHEREAS, the City Council adopted Chapter 5.35 of the City Code, regulating taxicab service within the City, on May 5, 1998; and,

WHEREAS, the City Council has determined that taxicab owners and taxicab drivers operating pursuant to Chapter 5.35 of the City Code have experienced rising costs of operation, as they have not received a rate increase since 2003, the Transportation Consumer Price Index (CPI) has increased by over 20% since that time, and gasoline prices have increased dramatically since 2003; and,

WHEREAS, in order to alleviate the rising costs of operation identified above, the City Council desires to authorize an adjustment of taxicab rates, and add a gasoline surcharge to be used when average gasoline prices in the Santa Clara area reach \$4.50 to \$6.00 per gallon; and,

WHEREAS, the City of San Jose approved the same rate increases, and the cities of Sunnyvale, Mountain View, and Palo Alto similarly increased their rates in 2006.

NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA, CALIFORNIA, AS FOLLOWS:

SECTION 1:

The City Council of the City of Santa Clara, California, ("City Council") hereby modifies the rates for taxicabs for the City of Santa Clara, authorizes an adjustment of taxicab rates and fares,

and authorizes a gasoline surcharge to be used when average gasoline prices in the Santa Clara area reach \$4.50 to \$6.00 per gallon, as follows. The new rates are:

A. Regular Taxi Service

i. Flag Drop

Three dollars and fifty cents (\$3.50) for the initial use of the taxicab, including the first tenth (10th) mile of travel.

ii. Mileage Rate

Beginning after the mileage included in the flag drop, three dollars (\$3.00) per each additional mile of travel or portion thereof.

iii. Waiting Time Rate

Thirty dollars (\$30.00) per hour.

B. Gasoline Surcharge

The gasoline surcharge will be utilized only when gasoline prices reach \$4.50 to \$6.00 per gallon.

i. Gasoline Price of \$4.50

The gasoline surcharge will be fifty-cents (0.50).

ii. Gasoline Price of \$5.00

The gasoline surcharge will be one dollar (\$1.00).

iii. Gasoline Price of \$5.50

The gasoline surcharge will be one dollar and fifty cents (\$1.50).

iv. Gasoline Price of \$6.00

The gasoline surcharge will be two dollars (\$2.00).

Any additional surcharge shall be set by Council resolution.

2. **Constitutionality, severability.** If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE ____ DAY OF _____, 2008, BY THE FOLLOWING VOTE:

AYES: COUNCILORS:

NOES: COUNCILORS:

ABSENT: COUNCILORS:

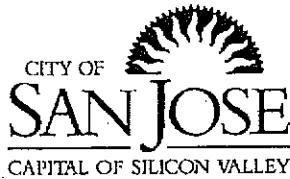
ABSTAINED: COUNCILORS:

ATTEST: _____
ROD DIRIDON, JR.
CITY CLERK
CITY OF SANTA CLARA

Attachments Incorporated by Reference:

1. City of San Jose Memorandum Entitled, "Taxicab Rate of Fare Adjustment," dated July 14, 2008

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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: James R. Helmer
William F. Sherry, AAE

SUBJECT: TAXICAB RATE OF FARE
ADJUSTMENT

DATE: 07-14-08

Approved

Date

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

A. Adopt a resolution:

1. Increase the Taxicab Rates, Fares and Tariffs for the operation of taxicabs in the City of San Jose outside the Airport contained in Resolution No. 73886 as follows:
 - a. Flag drop rate to \$3.50 for the first 1/10th of a mile.
 - b. Per mile rate to \$3.00 (\$0.30 per 1/10th mile after the first 1/10th mile).
 - c. Wait time rate to \$30 per hour (\$0.50 per minute).
 - d. A fuel surcharge in \$0.50 increments up to a maximum of \$2.00 that corresponds to the average price of gasoline reaching \$4.50, \$5.00, \$5.50 and \$6.00 in San Jose, and to incorporate an appropriate portion of the fuel surcharge into the flag drop or per mile charge if the fuel costs become a on-going industry expense, or to remove the surcharge if the price of gasoline drops below the surcharge levels.
 - e. Implement a \$1.50 Airport trip fee for trips to Mineta San Jose International Airport.
2. Readopting all other Rates, Fares and Tariffs in Resolution No. 73886 not revised above.
3. Repealing Resolution No. 73886.

B. Adopt a resolution:

1. Increase the Taxicab Rates, Fares and Tariffs for the operation of taxicabs in the City of San Jose at the Airport contained in Resolution No. 73885 as follows:
 - a. Flag drop rate to \$3.50 for the first 1/10th of a mile.
 - b. Per mile rate to \$3.00 (\$0.30 per 1/10th mile after the first 1/10th mile).
 - c. Wait time rate to \$30 per hour (\$0.50 per minute).
 - d. A fuel surcharge in \$0.50 increments up to a maximum of \$2.00 that corresponds to the average price of gasoline reaching \$4.50, \$5.00, \$5.50 and \$6.00 in San Jose, and to incorporate an appropriate portion of the fuel surcharge into the flag drop or per

- mile charge if the fuel costs become a on-going industry expense, or to remove the surcharge if the price of gasoline drops below the surcharge levels.
- e. Implement a \$1.50 Airport trip fee for trips to Mineta San Jose International Airport.
- f. Make appropriate changes to the definitions of Taxicab Trip and Trip as discussed in the analysis below.

2. Readopting all other Rates, Fares and Tariffs in Resolution No. 73885 not revised above.

C. Repealing Resolution No. 73885.

OUTCOME

Amendment to the Taxicab Rate Resolution will increase the fare charged to customers and enable the taxicab industry and drivers to recoup the costs associated with rising fuel and operating expenses. Authorizing the Directors of Aviation and Transportation to implement a fuel surcharge that corresponds to the average price of gasoline reaching certain thresholds in San Jose will provide the necessary flexibility to respond to rising fuel costs in a timely manner.

BACKGROUND

In December 2002, the City Council approved the last taxicab rate increase which took effect in February 2003. In the years leading up to the last increase, changes in the rate of fare had occurred on a fairly frequent basis resulting in San Jose having one of the highest taxicab rates in the nation. In response to the frequent increases, staff was directed that any future increases were to be based upon a pre-determined analytical methodology approved by the City Council. In 2006, staff developed a rate of fare adjustment methodology that was supported by the taxicab industry and approved by the City Council (Attachment A). Also in 2006, staff received a request for a rate increase from one taxicab company and initiated the process outlined in the rate of fare adjustment methodology. While seeking stakeholder input, it became clear to staff that significant opposition to a rate increase existed within the taxicab industry at that time. The primary reason being a concern that higher fares would reduce demand for taxicab trips. The Taxicab Service Model Study concluded that San Jose's high rate of fare was one of the primary reasons that taxicab trip volume was low when compared to other cities with similar characteristics.

The Council last adopted resolutions for rates, fares and tariffs for the operation of taxicabs when it adopted Resolutions No. 73885 and 73886 on June 26, 2007. Those resolutions simply placed in separate resolutions the rates, fares and tariffs for taxicab operations at the Airport from the rates, fares and tariffs for taxicab operations outside the Airport. Resolution No. 73885 covers all Airport related fees and rates including taxis. Adoption of these new resolutions as recommended by staff would repeal Resolutions No. 73885 and 73886.

ANALYSIS

In April 2008, staff received a request for a rate increase from members of the taxicab industry and initiated the rate adjustment process. The reason for the rate increase request was the significant and sustained increase in gasoline prices along with other industry related expenses. The approved rate setting methodology identifies the following factors to consider and process to follow when reviewing a taxicab rate adjustment request:

- Changes in CPI-All Items or CPI-Transportation for San Francisco-Oakland-San José, CA
- Increase in major taxicab industry expense categories (e.g. fuel, insurance, etc.)
- Comparable Rates (Local, Regional, National)
- Stakeholder rationale and support for a fare increase.

To provide the City Council with context prior to reviewing the analysis of the rate setting methodology, the following table provides the current taxicab rate structure in San José:

Rate Structure	Rate Amount
(1) City flag drop (charge for first 1/10 th mile)	\$2.50
(2a) Airport flag drop (charge for first 1/10 th mile)	\$2.00
(2b) Airport trip fee (charge per trip, paid to Airport)	\$1.50
(3) Per mile charge (charged after the first 1/10 th mile in increments of \$0.25 per 1/10 th mile)	\$2.50
(4) Wait time (charge for time vehicle is stopped/in slow traffic)	\$25 per hour

The taxicab meter in each vehicle calculates the elements of the taxicab rate and displays the total charge at the end of each trip. For all trips originating outside the Airport, the City flag drop (1) is combined with the per mile charge (3) and wait time charge (4) to determine the meter rate. For all trips originating at the Airport, the Airport flag drop (2a) and Airport trip fee (2b) are combined with the per mile charge (3) and wait time charge (4) to determine the meter rate. Currently, a five mile trip costs about \$16.25 in the City and \$17.25 from the Airport.

Analysis of Applicable Consumer Price Indexes and Expenses

The City Council approved rate methodology identifies the following two Consumer Price Indexes (CPI) published by the US Department of Labor, for San Jose-San Francisco-Oakland, CA, as the most applicable to setting taxicab rates:

CPI Index	December 2002 to April 2008
CPI – All Items	14.9%
CPI – Transportation	24.8%

The All Items index includes a broad range of goods and services and mirrors the general inflation rate that consumers in the Bay Area pay for goods and services. Gasoline is only one of many elements that make up this index. The Transportation index is more specific and only includes transportation items such as vehicle purchase and lease, vehicle parts and equipment, vehicle maintenance and repair, vehicle insurance, vehicle fees, and all motor fuels. The Transportation index is the most applicable index in that these items make up a significant portion of industry expenses, and include gasoline as one of the major items in the index.

The rate setting methodology is also designed to consider changes in other major taxicab industry expenses, such as gasoline and insurance. Given the unprecedented rise in gasoline prices (estimated at 130%) since the last rate increase, it was important to ensure that the on-going rate adjustments (flag drop, per mile and wait time charges) covered the full 24.8% increase in the Transportation index. The recommended overall rate increase, when all elements of the rate are included, ranges from 22% to 30% when calculating trips up to approximately five miles. The recommended rate increase includes a higher percentage increase in the flag drop (75% at Airport, 40% elsewhere in the City) to ensure drivers receive higher minimum fares on every trip, and balances that against smaller increases in the per mile and wait time charges of 20% to avoid discouraging longer taxicab trips that produce the most lucrative fares for drivers.

The application of a fuel surcharge in \$0.50 increments up to a maximum of \$2.00 based upon the average price of gasoline in San Jose reaching \$4.50, \$5.00, \$5.50 and \$6.00 provides compensation for the current high price of fuel (e.g. current average is \$4.52 which would trigger a \$0.50 surcharge), and protects against future fuel increases. This approach also protects consumers if the price of fuel drops, as the rate of fare would adjust to levels that match the percentage change in the Transportation index.

Comparable Taxicab and Commercial Ground Transportation Rates

As part of the rate adjustment process, staff tracks comparable local, regional and national taxicab rates to determine the competitiveness of San Jose's rates with other jurisdictions. This is relevant because travelers and the local community have experience with taxicab rates in many jurisdictions and having competitive rates is a factor in sustaining demand for local taxicab service. In 2003, of the 14 cities surveyed, San Jose had the highest taxicab rate, likely the highest in the nation. In 2008, San Jose's taxicab rate still remained higher than eight of the 14 cities surveyed. The proposed rate increase will raise San Jose's rate to the highest of the 14 cities surveyed, one of the highest in the nation when all elements of the rate structure are included. The taxicab rate survey is included as Attachment B.

The taxicab industry is in competition with public transit, shuttles and limousines/sedans. Taxicab travel is a more premium form of transportation than public transit and shuttles because of the ability to determine the destination and the passengers that travel. Limousines and sedans are considered the most premium form of ground transportation. Higher taxicab rates, when compared to less expensive transportation alternatives, may add to the concern that higher rates

may reduce demand for taxicabs. The composition of the recommended rate increase has been designed to maintain as much competitive balance on both shorter and longer taxicab trips.

Stakeholder Input and Feedback

On June 5 and July 8, 2008, staff conducted stakeholder meetings at City Hall and the Airport Administrative Offices respectively. A broad cross section of stakeholders were invited to the meeting, including taxicab companies, drivers and their representatives, Taxi San José, the Convention and Visitors Bureau, local hotels, the Chamber of Commerce, the Downtown Association, and the City's Senior Commission and Disability Advisory Commission.

The meetings were primarily attended by the taxicab industry, but representatives from Taxi San Jose, the Convention and Visitors Bureau, and the Senior Commission also attended. In the meeting, staff outlined the rate of fare adjustment methodology, including information on the applicable consumer price indexes and the survey of other cities taxicab rates. The table below summarizes the current rates and the range of feedback received from stakeholders:

Rate Structure	Current Rate of Fare	Range of Stakeholder Feedback on Adjustment
City flag drop	\$2.50	\$3.00 to \$4.00
Airport flag drop	\$2.00	\$3.00 to \$4.00
Airport trip fee (paid to Airport)	\$1.50	None received
Per mile charge	\$2.50	\$2.80 to \$3.50
Wait time	\$25 per hour	Up to \$35 per hour
Minimum/Flat Rate of Fare	N/A	\$15 to \$20
Gasoline Surcharge per trip	N/A	\$1.00 to \$2.00

In both meetings, staff presented sample fare adjustments that corresponded with the different elements of the rate structure. The taxicab industry, with minor exceptions, supported the staff recommended rate of fare adjustments for the flag drop, per mile and wait time charges, and the gasoline surcharge. Staff did receive off line feedback from some members of the taxicab industry raising concerns that the recommended rate adjustments were at the top end of the scale, and that proposals made by taxicab drivers were excessive, would hurt the taxicab business, and should not be supported. Representatives of the Senior Commission raised concerns about the amount of the increase and requested that staff explore ways to make seniors more aware of the current available 15% discount, or find ways to make the discount more automatic.

By far, the topic that received the most discussion was the minimum/flat rate of fare to and/or from the Airport. A minimum rate of fare is a fare that is charged for a trip even if the distance of the trip would result in a meter fare that is lower than the minimum fare. The City of San Jose does not have a minimum rate of fare. The most common application of minimum fares is for trips leaving airports. For example, some current short fares from Mineta San Jose International Airport are in the \$5 to \$8 range based upon the calculated meter rate. If a minimum fare was adopted, the customer would be charged the minimum fare regardless of what the meter would have calculated. For example with a \$10 minimum fare, a customer would see that charge immediately on the meter similar to a flag drop. If the trip, based upon the meter, would have been less than \$10, the charge would still be \$10. If the trip would exceed a \$10 fare, the meter would begin displaying the additional per mile charges until the destination is reached and that fare would be charged. Under the proposed rates, after two miles, the meter fare would exceed \$10 and would begin displaying the additional per mile charges and the higher rate when the destination is reached.

A flat fare, on the other hand, establishes a set fare regardless of trip distance. Typically, flat fares are set between frequent destinations such as airports and downtowns. A flat fare could be established for all trips between Mineta San Jose International Airport and Downtown San Jose (and points in between). The flat fare could also apply to all trips from Downtown San Jose to the Airport. A flat rate is typically set at an amount that balances the distances and rates for frequent destinations in a flat rate zone. For example, many trips might result in \$10 meter fares, others \$14, and finally some \$18. In that scenario, a \$14 flat fare could be the right balance. The reason for creating a flat fare is the simplicity for customers to understand the amount they will be charged, regardless of the route the driver chooses or the specific distance within the zone. It also ensures the driver receives a set amount, and may solve the problems associated with the short distance fares.

The taxicab drivers that attended the stakeholder meetings were primarily drivers with Airport permits. Those drivers made repeated requests for a minimum fare in the \$15 to \$20 range from the Airport. The primary reason for the request was that short fares from the Airport generate smaller fares, but still require similar waits in the Airport staging area as do longer trips. Staff indicated that support from local hotels, whose customers would be most affected by a minimum or flat fare, should be obtained to better explore these concepts. Staff will continue discussions with the industry and local businesses to determine the feasibility of implementing a flat fare rate structure. Any recommendation for a flat rate of fare will be coordinated with the Airport Commission and be brought back to City Council for approval.

Rate Analysis and Recommendation

The purpose of the rate setting methodology is to develop a taxicab rate of fare that is:

- Understandable to the public and easy to administer by companies and drivers
- Does not discourage taxicab use
- Enables both companies and drivers to recoup costs and make a reasonable profit

The following information provides staff's recommendation and rationale on the rate increase:

Rate of Fare Element	Current Rate of Fare	Proposed Rate of Fare	% Increase
City flag drop	\$2.50	\$3.50	40%
Airport flag drop	\$2.00	\$3.50	75%
Airport trip fee (paid to Airport)	\$1.50	\$1.50	N/A*
Per mile charge	\$2.50	\$3.00 (\$0.30 per 1/10 th mile)	20%
Wait time	\$25 per hr	\$30 per hr (\$0.50 per minute)	20%
Gasoline Surcharge per trip	N/A	\$0.50 to \$2.00 (\$0.50 increments starting at \$4.50 to \$6.00)	100%
Minimum Fare from the Airport	N/A	Not recommended	N/A
Flat Rate of Fare to and from the Airport and Downtown (including points in between)	N/A	Recommended for further outreach and exploration	N/A

* The Airport trip fee is proposed to remain at \$1.50, but is recommended to also be charged for incoming Airport drop offs which were not previously charged.

- The Transportation consumer price index rose 24.8% since the last rate increase and even though gasoline is factored into the transportation index, this index does not fully recognize the reality that gasoline has become a more significant expense of taxicab drivers, and as a result the rate recommendation must take that into account. The recommended rate compensates drivers in the following manner: the flag drop percentage increases (40% to 75%) are higher than the 24.8% increase in the Transportation index and are guaranteed on every trip; the gasoline surcharge of \$0.50 to \$2.00 protects against current and future gas increases providing additional income for drivers. Further exploration of a flat fare, with affected stakeholders, to and from the Airport and Downtown would aim to deal with short distance fares from the Airport, and create an opportunity to market a simple fare concept between the Airport and Downtown.
- San Jose's current taxicab rate is the sixth highest of the 14 cities surveyed. The proposed rate of fare would be the highest of the 14 cities surveyed, but represents the first adjustment since 2003. The proposed rates, when compared to the other transportation alternatives, may add to the concern that high taxicab rates may have an impact on demand. The proposed rates however are within a range that demand for the

most trips should not be significantly affected. A conclusion of the 2004 Taxicab Service Model Study was that demand was depressed due to the high rates that existed in 2004, which serves as a caution against steeper increases than those proposed in this report.

- The proposed rate of fare is in the mid range of the suggestions of stakeholders, and with the protection of the gasoline surcharge, meets much of the taxicab industry request. Industry feedback focused on the need to limit the per mile increase so that longer taxicab trips are not priced out of the market. A representative of the City's Senior Commission was concerned about fares rising too high making taxicabs less affordable for seniors. Finding ways to make seniors more aware of the current 15% discount or making it more automatic was suggested as a way to mitigate the increasing fare on seniors.
- The recommended gasoline surcharges would be triggered when average gasoline prices in San Jose reach \$4.50, \$5.00, \$5.50 and \$6.00. At these levels, gasoline surcharges would be implemented in \$0.50 increments up to a maximum of \$2.00. The average price of gasoline in the San Jose area at the time of completion of this report was \$4.52, which would result in a \$0.50 surcharge. The source to determine the average price of gasoline and whether the surcharge applies is www.fuelgaugereport.com/CAMetro.asp. The website would be accessible to customers as well. A determination would be made on a monthly basis as to whether the surcharge would be applicable the next month. All taxicabs vehicles would have authorized rate stickers that would describe the surcharge and its application. If over time, gasoline costs become a part of the base cost structure, the Director of Transportation would be authorized to incorporate an appropriate portion of the fuel surcharge into the base flag drop or per mile charge.
- The minimum and/or flat rate concept has received a significant amount of discussion in the stakeholder meetings. Based upon staff's analysis, a flat rate of fare to and from the Airport and Downtown, is recommended for further exploration. A flat fare has the advantage of creating a simple, uniform fare for all Airport customers with destinations in Downtown San Jose and points between the Airport and Downtown. It creates the same fare structure for return trips from Downtown to the Airport. With effective marketing, through the taxicab industry, Airport, the Convention and Visitors Bureau, local hotels, and the Downtown Association, there is the potential to expand taxicab business and create new business partnerships. Customers would receive consistent messaging that taking taxicabs between the Airport and Downtown is easy, affordable, and has no surprises.

With the August 5, 2008 deadline for a rate recommendation, enough time did not exist to fully explore and determine whether an appropriate and acceptable flat rate structure could be fully developed. Considerable outreach, analysis of the zones and distances, and marketing approaches is still needed to ensure that a well conceived plan is recommended. As a result, staff will explore the flat rate of fare to and from the Airport and Downtown San Jose (including destinations close to the Airport such as the Courtyard by Marriott and Holiday Inn, typically referred to as short fares). The outreach process would include the taxicab industry, local hotels, the Convention and Visitors

Bureau, the Downtown Association, and possibly other relevant stakeholders. The goal would be to gather input and determine if a consensus exists among the stakeholders to create a flat fare(s) and zone(s) that provide taxicab drivers with reasonable fares and more trips, deal with concerns about short distance fares, and protect customers from excessive fares. If these goals can be achieved, staff would move bring forward a recommendation to the City Council.

- A minimum rate of fare from the Airport is not recommended. The minimum fare as suggested by the taxicab industry, in the \$15 to \$20 range, is excessive for customers that are traveling short distances. Current short fares from the Airport are typically in the \$5 to \$8 range. A minimum fare of \$15 would result in a 100% plus increase on trips of ½ to one mile in distance. The proposed rate already produces meter fares that would be the highest of the 14 cities surveyed, and some of the highest in the nation. The proposed rate would result in fares in the \$7 to \$10 range for similarly distanced ½ to 1½ mile trips. To obtain a fare of \$15 with the proposed rate, drivers would only need to take a passenger about 3 miles, and all fares to Downtown San Jose would exceed \$15. In reviewing sample data on trips leaving the Airport, staff estimates that less than 5% of all trips are two miles or less and would result in a fare of less than \$15.

San Francisco and Oakland International Airports do not have minimum rates of fare. Los Angeles International Airport has implemented a \$15 minimum fare from the Airport. The minimum fare has resulted in numerous complaints from customers even though the typical short fares are in the two to four mile range, much longer than typical short fares from Mineta San Jose International (½ to 1½ mile range). The short trips from Los Angeles International Airport would normally generate a \$9 to \$13 fare (\$9.72 average) for a trip longer than San Jose's short distance trips. Typical short fares (½ to 1½ mile) from San Jose Airport would generate \$7 to \$10 if the proposed rate is adopted.

Airport Trip Fee

The Airport Fee, currently \$1.50 per fare that is included in the flag drop from the Airport, passes the trip fee charged by the Airport through to the passenger. The trip fees are charged to all commercial ground transportation operators, including taxis, to help pay for the maintenance of the Ground Transportation Program (GT Program), which includes management of the Airport's commercial drop-off and pick-up areas and enforcement of the GT Program's Rules and Regulations. The expenses of the Taxi San Jose operation for dispatching the on-demand taxis and door-to-door shuttles are not included in the trip fee program as that system is only used by those two industries.

The Airport trip fees were established in 1994 and have not been changed. There is an estimated deficit of approximately \$730,000 in the GT Program. A trip fee of \$3.00 per trip leaving the airport would address this deficit; however staff recommends that the trip fees instead be imposed on all trips to and from the Airport to equally charge all use and activity to and from the Airport in the same manner. Revisions in the rates and trip definitions set forth in Resolution No. 73885 would allow the deficit to be addressed and would allow the taxi drivers to charge the

Airport Fee, passing the fees through to their passengers, on trips leaving the Airport as well as those going to the Airport in the same manner, using the same button(s) on their meters. This also allows the Airport to design the Automatic Vehicle Identification System (AVI) in a manner that is more efficient and less costly to the GT Program.

While the taxi industry is estimated to comprise approximately 2/3rd of the total ground transportation trips from the Airport, to ensure that all industries involved in the GT Program are responsible for their portions of the GT Program expenses, it is recommended that Council direct Staff to come back this Fall with a methodology to address revised trip fees for all the other ground transportation industries, including, but not limited to, limousines, courtesy shuttles, couriers, and charter operators. The additional time will allow for stakeholder meetings with these other industries in order to fully discuss the recommendations.

Conclusion

The overall rate recommendation attempts to achieve a balance between providing enough of an increase to offset escalating costs, especially gasoline, while guarding against the taxicab industry becoming uncompetitive and losing business. In making the recommendation, staff was also cognizant that customers have no choice but to pay the established rate, and that the City serves a consumer protection role for the residents of San Jose.

EVALUATION AND FOLLOW-UP

Staff will monitor taxicab industry and customer feedback related to the rate increase and over time make determinations as to the need to incorporate any gasoline surcharges into the base flag drop or per mile charge.

POLICY ALTERNATIVES

Option #1: The City Council could approve a rate of fare for the flag drop, mileage and wait time that is either lower or higher than the rates recommended.

Pros: A higher rate of fare would likely generate additional income for taxicab drivers.

Cons: A higher rate of fare could deter customers from using taxicabs resulting in reduced trips for taxicab drivers resulting in reduced overall income.

Reason for not recommending: The recommended rate of fare closely matches the increase in the Transportation cost index and the gasoline surcharge provides current and future protection against rising gasoline prices. In addition, the recommended rates place San Jose with the highest rate of fare of the 15 cities surveyed. Further increases would add to the gap between San Jose's rate and that of other cities and could deter customers from using taxicabs as a mode of transportation within San Jose.

Option #2: The City Council could approve a minimum or flat rate of fare of \$10.00 for trips from the Airport. A minimum rate of fare would be initiated when the customer first enters a cab and may include a maximum number of miles, at which point the approved rate of fare would take effect with the meter calculating the fare.

Pros: Provides taxicab drivers with a minimum amount of income for short fares.

Cons: Could deter customers from using cabs for short fares and penalize customers for going short distances. Could encourage customers to look for alternative forms of transportation.

Reason for not recommending: Less than 5% of fares from the Airport are less than two miles. Short fares are a normal part of doing business as a taxicab driver and the customer should not be penalized for utilizing services close to the Airport by paying a higher fee than customers that take a cab elsewhere in the City. The rate of fare that is recommended provides a rate of \$11.70 for a two mile trip originating at the Airport and a rate of \$8.20 for a one mile trip originating at the Airport. The recommended rates place San Jose at the highest rate of fare of the 14 cities surveyed and further fare increases could significantly deter customers from using taxicabs as a mode of transportation within San Jose.

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- ✓ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

Industry and customer stakeholder meetings were held on June 5, 2008 and July 7, 2008. A broad cross section of stakeholders, including industry representatives, business and hospitality groups, and City advisory commissioners were invited to attend the meetings.

COORDINATION

This report has been coordinated with the Police Department and the City Attorney's Office.

HONORABLE MAYOR AND CITY COUNCIL

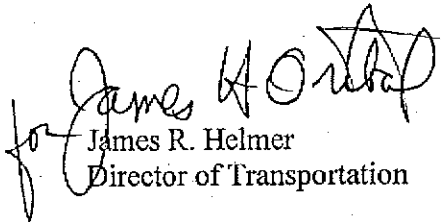
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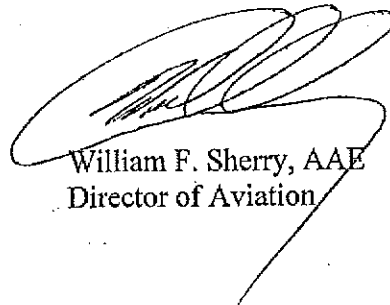
Subject: Taxicab Rate of Fare Adjustment

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CEQA

Not a project


James R. Helmer
Director of Transportation


William F. Sherry, AAE
Director of Aviation

For questions please contact Jim Ortbal at 408-535-3845 or Bob Lockhart at 408-277-5249.

Attachments

Approved Methodology for Taxicab Rate of Fare Adjustment

The purpose of this document is to set forth the methodology to be used when considering a rate of fare adjustment for the taxicab industry. The goals of the process are to ensure that the rate:

- Is understandable to the public and easy to administer by companies and drivers
- Does not discourage Taxicab use and;
- Enables both companies and drivers to re-coup costs and make a reasonable profit

There are various factors that can trigger the need for an adjustment in the taxicab rate of fare. In the past, either an increase in the Consumer Price Index (CPI), or an increase in major taxicab industry related expense categories such as fuel or comparable taxicab rates locally, regionally, or nationally, have resulted in a rate adjustment.

The City acts as an economic regulator for the taxicab industry by setting rates to ensure fair treatment of customers and fair rates of return by the taxicab industry. It is important that the City respond appropriately to factors that increase the expenses that impact taxicab companies and/or drivers. It is important that the City ensure the rate of fare does not exceed what the local market can bear to avoid negative impacts on taxicab business.

Some factors to consider when reviewing the taxicab rate of fare include:

- Changes in CPI-All Items or CPI-Transportation for San Francisco-Oakland-San José, CA
- Increase in major taxi industry expense categories (e.g. fuel, insurance, etc.)
- Comparable Rates (Local, Regional, National)
- Stakeholder rationale and support for a fare increase

The proposed process to follow when considering a rate of fare adjustment is as follows:

1. Evaluate the following indexes; and determine if increase since last fare adjustment is over 10%.
 - CPI (All Items for San Francisco-Oakland-San José, CA) or
 - CPI (Transportation for San Francisco-Oakland-San José, CA) or
 - Extraordinary and ongoing increases in major industry related expense categories.
2. Evaluate survey of other city and area taxi rates
 - Is San José competitive?
 - Is the rate of fare at the high end or in mid range?
3. Obtain feedback from Stakeholders (Drivers, Taxicab Companies, Customers)
 - Is there a consensus of stakeholders indicating a rate increase is justified?
4. Determine appropriate adjustment (e.g. \$0.25, \$0.50) and determine if price adjustment appropriately responds to increases in industry related expenses and what might the appropriate category(s) be to apply the adjustment to (e.g. flag drop, mileage, wait time)
5. Make recommendations to City Council for review and approval.

Rate Survey of Selected Cities July 2008

Attachment B

San Jose, CA Proposed	City \$3.50 1st 1/10 Airport \$3.50 1st 1/10 plus \$1.50 trip fee	\$3.00	\$30	City \$19.70 Airport \$21.20	Gas Surcharge \$0.50 to \$2.00	\$4.52	TBD
Sunnyvale, CA	\$3.00 1st 1/10 mi.	\$3.00	\$35	\$19.45		\$4.52	2006
Los Angeles, CA	City \$2.65 1st 1/9 mi. Airport surcharge \$2.50	\$2.70	\$29.19	City \$17.55 Airport \$20.05	Bandit cab surcharge \$0.20 \$15. Min Airport Flat Fare Downtown to Airport \$46.50	\$4.57	8/4/2008
San Diego, CA	\$2.60 1st 1/14 mi.	\$2.80	\$23	\$17.55		\$4.58	2007
Sacramento, CA	City \$4.00 1st 1/5 mi. Airport \$2.80 1st mi.	City \$2.50 Airport \$2.40	City \$26 Airport \$25	City \$17.50 Airport \$13.90		\$4.52	2005
Oakland, CA	\$3.00 1st 1/10 mi.	\$2.60	\$26	\$17.06	Minimum Fare \$5 \$1. after 10p.m. to 6a.m	\$4.52	7/1/2008
San Jose, CA Current Fare	City \$2.50 1st 1/10 mi Airport \$2.00 1st 1/10 mi. Plus \$1.50 trip fee	\$2.50	\$25	City \$16.25 Airport \$17.25		\$4.52	2003
Seattle, WA	\$2.50 1st 1/10 mi. Airport surcharge \$3.00	\$2.50	\$30	N/A \$16.25 Airport \$19.25	\$32 flat rate downtown to airport (14.4 miles)	\$4.33	10/1/2008
Santa Clara, CA	\$2.50 1st 1/10 mi.	\$2.50	\$25	\$16.25		\$4.52	2003
Mountain View, CA	\$2.50 1st 1/10 mi.	\$2.50	\$25	\$16.25	Evening Charge of \$1, 7pm to 5am	\$4.52	2007
San Francisco, CA.	City \$3.10 1st 1/5 mi. Airport exit surcharge \$2.00	\$2.25	\$27	City \$15.25 Airport \$17.25	Trips exceeding 15 miles are charged 150% of meter fare	\$4.56	2006
Phoenix, AZ Air.	\$5.00 1st mi. Airport surcharge \$1.00	\$2.00	\$20.00	City \$14.00 Airport \$15.00		\$4.09	2006
New York, NY	\$2.50 1st 1/5 mi.	\$2.00	\$24	\$13.30		\$4.33	2006
Denver, CO	\$1.80 to \$2.50 1st 1/9 mi.	\$1.80 to \$2.25	\$22.50	\$11.73 to \$14.63	Flag drops and mileage vary by company	\$3.87	2007
Washington, DC	\$3.00 1st 1/6 mi.	\$1.50	\$15	\$11.00	Fuel surcharge \$1.00 Max rate in City \$19.00, extra passenger \$1.50	\$4.09	2008

CITY OF SANTA CLARA
AGENDA MATERIAL ROUTE SHEET

Council Date: _____

SUBJECT: Request Council Authorize Adjustment of Taxicab Rates and Fares and approve a Fuel Surcharge per Santa Clara Municipal Code Section 5.35.150(c)

CERTIFICATION

The proposed Resolution
Regarding Taxicab Rates and Fares
has been reviewed and is hereby certified.

PUBLICATION REQUIRED:

The attached Notice/Resolution/Ordinance is to be published _____ time(s) at least _____ days before the scheduled meeting/public hearing/bid opening/etc., which is scheduled for _____, 200__.

AUTHORITY SOURCE FOR PUBLICATION REQUIREMENT:

Federal Codes:

Title _____ U.S.C. § _____
(Titles run 1 through 50)

California Codes:

Code _____ § _____
(i.e., Government, Street and Highway, Public Resources)

Federal Regulations:

Title _____ C.F.R. § _____
(Titles run 1 through 50)

California Regulations:

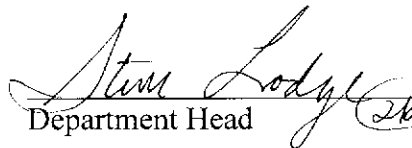
Title _____ California Code of Regulations § _____
(Titles run 1 through 28)

City

City Charter § _____ (i.e., 1310. Public Works Contracts. Notice published at least once at least ten days before bid opening)

City Code § _____

1. As to City Functions, by


Department Head

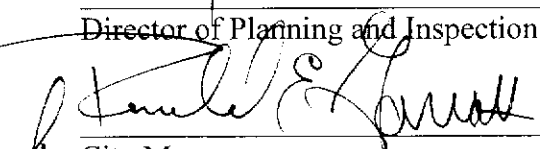
2. As to Legality, by


City Attorney's Office / CAO Assignment No 08. _____

3. As to Environmental
Impact Requirements, by


Director of Planning and Inspection

4. As to Substance, by


City Manager

Revision Date June 7, 2005